

**NEGAUNEE PUBLIC SCHOOLS
NEGAUNEE, MICHIGAN
FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

TABLE OF CONTENTS

Independent Auditors' Report	4
Management's Discussion and Analysis.....	6

BASIC FINANCIAL STATEMENTS

District-wide Financial Statements:

Statement of Net Assets	12
Statement of Activities	13

Fund Financial Statements:

Governmental Funds:	
Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	15
Statement of Revenues, Expenditures and Changes in Fund Balance.....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities.....	17
Fiduciary Funds:	
Statement of Fiduciary Net Assets	18
Notes to Financial Statements	19

REQUIRED SUPPLEMENTAL INFORMATION

General Fund: Budgetary Comparison Schedule	35
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OTHER SUPPLEMENTAL INFORMATION

Nonmajor Governmental Funds:

Combining Balance Sheet	37
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	38

Non-major Special Revenue Funds:

Combining Balance Sheet	39
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance	40
School Lunch Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	41
Athletics Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	42

Non-major Debt Service Funds:

Balance Sheet.....	43
Schedule of Revenues, Expenditures and Changes in Fund Balance	44

COMPLIANCE SECTION

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	46
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	48
Schedule of Expenditures of Federal Awards.....	50
Notes to Schedule of Expenditures of Federal Awards	53
Schedule of Findings and Questioned Costs.....	55
Summary Schedule of Prior Audit Findings	57
Report to Management Letter	58



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INDEPENDENT AUDITORS' REPORT

Board of Education
Negaunee Public Schools
Negaunee, Michigan 49866

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Negaunee Public Schools, as of and for the year ended June 30, 2008, which collectively comprise Negaunee Public Schools basic financial statements as listed in the table of contents. These financial statements are the responsibility of Negaunee Public Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Negaunee Public Schools as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of the Negaunee Public Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education
Negaunee Public Schools
Negaunee, Michigan 49866

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Negaunee Public Schools' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Negaunee Public Schools. The combining and individual nonmajor fund financial statements and schedules and schedules of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 23, 2008

Negaunee Public Schools

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of Negaunee Public Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2008. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- Net assets for Negaunee Public Schools as a whole were reported at \$5,330,027. Net assets are comprised of 100% governmental activities.
- During the year, Negaunee Public Schools expenses were \$13,236,147, while revenues from all sources totaled \$14,006,538, resulting in an increase in net assets of \$770,391.
- The general fund reported an increase of \$149,470 before other financing sources (uses) and a total decrease of \$9,651. This is \$161,703 or 94% lower than the forecasted decrease of \$171,354. This was a result of revenues and other sources being \$43,117 higher than forecasted and expenses and other financing source uses being \$118,586 lower than forecasted.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Negaunee Public Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund and the Capital Projects Construction Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

Reporting the School District as a Whole – *District-wide Financial Statements*

Our analysis of the Negaunee Public Schools as a whole begins on page 7. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is

Management's Discussion and Analysis (Unaudited) (Continued)

the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds - *governmental* and *proprietary* – use the following accounting methods.

- *Governmental funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2008:

Table 1
Net Assets

	Governmental Activities – 2008	Governmental Activities – 2007
Current and other assets	\$3,748,941	\$5,348,228
Capital assets, net	7,783,988	6,374,595
Total Assets	<u>\$11,532,929</u>	<u>\$11,722,823</u>

Management's Discussion and Analysis (Unaudited) (Continued)

	Governmental Activities – 2008	Governmental Activities – 2007
Current liabilities	\$1,954,194	\$1,980,853
Long-term liabilities	4,248,708	5,182,394
Total Liabilities	6,202,902	7,163,247
Net Assets:		
Invested in capital assets, net of related debt	4,060,300	2,155,718
Restricted	1,491,944	2,703,088
Unrestricted	(222,217)	(299,170)
Total Net Assets	\$5,330,027	\$4,559,636

The School District's net assets were \$5,330,027 at June 30, 2008. Capital assets, net of related debt totaling \$4,060,300, compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$(222,217) was unrestricted.

The \$(222,217) in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2008.

**Table 2
Changes in Net Assets**

	Governmental Activities – 2008	Governmental Activities – 2007
Revenues:		
Program revenues:		
Charges for services	\$1,074,209	\$1,027,359
Operating grants and contributions	1,582,012	1,505,788
General revenues:		
Property taxes	2,260,668	2,117,606
State sources not restricted to specific program	8,919,133	9,099,542
Investment earnings	130,747	149,790
Gain (Loss) on sale of capital assets	-	2,502
Miscellaneous	39,769	53,589
Total Revenues	14,006,538	13,956,176
Program Expenses:		
Instruction	7,534,565	7,688,133
Supporting services	4,285,643	4,645,210
Community services	25,929	16,303
Payments to other governments	-	93,623
Facilities acquisition	89,603	64,751
School lunch activities	486,998	518,429
Athletic activities	286,724	231,601
Interest on long-term debt	168,435	148,501

Management's Discussion and Analysis (Unaudited) (Continued)

	Governmental Activities – 2008	Governmental Activities – 2007
Depreciation – unallocated	\$358,250	\$319,780
Total Expenses	13,236,147	13,726,331
Increase (decrease) in net assets	770,391	229,845
Net assets, beginning	4,559,636	4,329,791
Net Assets, Ending	\$5,330,027	\$4,559,636

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$13,236,147. Certain activities were partially funded from those who benefited from the programs in the amount of \$1,074,209 or by other governments and organizations that subsidized certain programs with grants and categoricals in the amount of \$1,582,012. We paid for the remaining “public benefit” portion of our governmental activities with \$2,260,668 in taxes, \$8,919,133 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of \$770,391. The key changes in the net assets were the result of capital purchases in excess of current depreciation of \$358,250, net debt activity of \$1,027,082 accounted for through Statement of Net Assets but budgeted as fund expenditures and net decrease in employee benefit obligation of \$86,604.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

Table 3
Governmental Activities

	Total Cost of Services	Net Cost of Services
Instruction	\$7,534,565	\$5,752,341
Supporting services	4,285,643	4,120,103
School lunch activities	486,998	(22,848)
Athletic activities	286,724	88,113
Totals	\$12,593,930	\$9,937,709

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

The School District's Funds

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$2,230,363, a decrease of \$1,220,795 from the beginning of the year.

Management's Discussion and Analysis (Unaudited) (Continued)

During the annual School election in June of 2004, the residents of the School District passed a proposal to establish a Sinking Fund to be used as allowed by law. For the 07-08 school year, \$388,712 in revenues was collected from the millage assessed for this purpose. The School District received \$3,145,000 in proceeds from the issuance of a bond to pay for building renovations and additions that began in 2006-07 and carried through the current year.

General Fund Budgetary Highlights

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

With the uncertainty of the revenues coming from the State of Michigan, the administration became very conservative with controllable expenses as the school year came to a close. This action, along with unexpected revenue from many different local sources, has had a positive impact on the School District's General Fund fund balance. These types of local revenues cannot be budgeted as revenue during the school year as we cannot plan on their occurrence because of the types of activities that generate the revenues.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2008, the School District had \$7,783,988 invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below)

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities – 2008	Governmental Activities – 2007
Land	\$92,536	\$92,536
Land improvements	69,724	81,943
Buildings	6,985,043	4,980,872
Equipment and furnishings	339,099	369,138
School buses	171,354	243,686
Construction in progress	126,232	550,271
Totals	<u>\$7,783,988</u>	<u>\$6,318,446</u>

This years additions of \$1,823,792 included office equipment, technology, and building renovations.

We anticipate capital additions for the 2008-2009 fiscal year will be comparable to the 2007-2008 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

Management's Discussion and Analysis (Unaudited) (Continued)

Debt

At the end of this year, the School District had \$4,711,460 in outstanding debt as depicted in Table 5 below.

Table 5
Outstanding Debt at Year-End

	Governmental Activities – 2008	Governmental Activities – 2007
General obligation bonds	\$3,535,000	\$3,925,000
Notes payable	109,293	167,748
Durant debt	106,531	106,531
Employee benefits payable	960,636	1,047,240
Totals	<u>\$4,711,460</u>	<u>\$5,246,519</u>

We present more detailed information about our long-term debt in the notes to the financial statements.

Economic Factors and Next Year's Budgets

Our elected officials and administration consider many factors when setting the School District's fiscal year 2009 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2009 fiscal year budget was adopted in June 2008, based on an estimate of students that will be enrolled in September 2008. Approximately 75 percent to 80 percent of total General Fund revenues are from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2008-2009 school year, we anticipate that the fall student count will be less than the estimates used in creating the 2009 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are not sufficient to fund original appropriations.

School districts throughout the state must adjust their budgets if the State decreases the per pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2008-09 school year, the state of the economy on a state and national level will be reflected in our budget.

Contacting the School District's Financial Management

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Negaunee Public Schools Administration, 101 South Pioneer Avenue, Negaunee, Michigan, 49866.

Negaunee Public Schools
Statement of Net Assets
June 30, 2008

	Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 1,589,866
Investments	18,406
Receivables:	
Accounts receivable	13,537
Due from other governmental units	2,004,668
Inventories	25,519
Prepaid expenses	49,326
TOTAL CURRENT ASSETS	3,701,322
Non-current assets:	
Unamortized bond issue costs	47,619
Capital assets - net of accumulated depreciation	7,783,988
TOTAL NON-CURRENT ASSETS	7,831,607
TOTAL ASSETS	11,532,929
LIABILITIES:	
Current liabilities:	
Accounts payable	35,015
Accrued liabilities	163,221
Due to other governmental units	59,059
State aid notes payable	1,160,000
Note payable - current portion	59,876
Bond payable - current portion	400,041
Accrued interest payable	23,318
Deferred revenue	53,664
TOTAL CURRENT LIABILITIES	1,954,194
Non-current liabilities:	
Non-current portion of employee benefit obligations	960,636
Non-current portion of note payable	49,417
Non-current portion of bond payable	3,241,490
Less deferred discount on refunding bonds	(2,835)
TOTAL NON-CURRENT LIABILITIES	4,248,708
TOTAL LIABILITIES	6,202,902
NET ASSETS:	
Invested in capital assets net of related debt	4,060,300
Restricted:	
Capital Projects	1,325,072
Debt Service	144,233
School Lunch	22,639
Unrestricted	(222,217)
TOTAL NET ASSETS	\$ 5,330,027

See Notes to Financial Statements.

Negaunee Public Schools
Statement of Activities
For the Year Ended June 30, 2008

Function / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 7,534,565	\$ 581,854	\$ 1,200,370	\$ -	\$ (5,752,341)
Supporting services	4,285,643	77,665	87,875	-	(4,120,103)
Community services	25,929	-	-	-	(25,929)
Facilities acquisition	89,603	-	-	-	(89,603)
School lunch activities	486,998	283,840	226,006	-	22,848
Athletic activities	286,724	130,850	67,761	-	(88,113)
Interest on retirement of debt	168,435	-	-	-	(168,435)
Depreciation- unallocated	358,250	-	-	-	(358,250)
TOTAL GOVERNMENTAL ACTIVITIES	13,236,147	1,074,209	1,582,012	-	(10,579,926)
General revenues:					
Taxes					
Property taxes, levied for general purposes					
					1,230,202
Property taxes, levied for debt services					
					487,901
Property taxes, levied for sinking fund					
					542,565
State Aid not restricted to specific purposes					
General					
					8,919,133
Interest and investment earnings					
					130,747
Gain on sale of capital asset					
					-
Miscellaneous					
					39,769
TOTAL GENERAL REVENUES AND TRANSFERS					11,350,317
CHANGES IN NET ASSETS					770,391
Net Assets , July 1					4,559,636
NET ASSETS, JUNE 30					\$ 5,330,027

See Notes to Financial Statements.

**Negaunee Public Schools
Governmental Funds
Balance Sheet
June 30, 2008**

	General Fund	Capital Projects: Sinking Fund	Capital Projects: Construction Fund	Other Non-major Governmental Funds	Total
ASSETS:					
Cash and cash equivalents	\$ 116,522	\$ 383,852	\$ 952,073	\$ 137,419	\$ 1,589,866
Investments	9,342	-	5	9,059	18,406
Receivables:					
Accounts receivable	521	-	-	12,869	13,390
Due from other governmental units	1,994,759	-	-	9,909	2,004,668
Due from other funds	20,752	-	-	-	20,752
Inventories	-	-	-	25,519	25,519
Prepaid expenditures	49,076	-	-	250	49,326
TOTAL ASSETS	\$ 2,190,972	\$ 383,852	\$ 952,078	\$ 195,025	\$ 3,721,927
LIABILITIES AND FUND BALANCES:					
LIABILITIES:					
Accounts payable	\$ 22,923	\$ 10,858	\$ -	\$ 1,234	\$ 35,015
Accrued liabilities	163,221	-	-	-	163,221
Due to other governmental units	59,059	-	-	-	59,059
Due to other funds	-	-	-	20,605	20,605
Deferred revenue	47,350	-	-	6,314	53,664
State aid notes payable	1,160,000	-	-	-	1,160,000
TOTAL LIABILITIES	1,452,553	10,858	-	28,153	1,491,564
FUND BALANCES:					
Reserved for:					
Capital projects	-	372,994	952,078	-	1,325,072
Retirement of debt	-	-	-	144,233	144,233
School Lunch				22,639	22,639
Unreserved	738,419	-	-	-	738,419
TOTAL FUND BALANCES	738,419	372,994	952,078	166,872	2,230,363
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,190,972	\$ 383,852	\$ 952,078	\$ 195,025	\$ 3,721,927

See Notes to Financial Statements.

Negaunee Public Schools
Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2008

Total Fund Balances for Governmental Funds \$ 2,230,363

*Amounts reported for governmental activities in the statement
of net assets are different because:*

Capital assets used in governmental activities are not financial
resources and therefore are not reported in the funds.

Cost of capital assets	15,518,206	
Accumulated depreciation	(7,734,218)	
		7,783,988

Unamortized bond issue costs are not financial resources
and therefore are not reported in the funds.

47,619

Long-term liabilities are not due and payable in the current period and are
not reported in the funds. Long-term liabilities at year-end consist of:

Notes payable - current portion	59,876	
Bonds payable - current portion	400,041	
Notes payable - long-term portion	49,417	
Bonds payable - long-term portion	3,241,490	
Employee benefits payable	960,636	
Accrued Interest	23,318	
Deferred discount on refunding bonds	(2,835)	
		(4,731,943)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 5,330,027
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Negaunee Public Schools
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

	General Fund	Capital Projects: Sinking Fund	Capital Projects: Construction Fund	Other Non-major Governmental Funds	Total
REVENUES:					
Local sources	\$ 2,095,816	\$ 635,824	\$ 70,674	\$ 979,929	\$ 3,782,243
State sources	9,699,686	-	-	24,296	9,723,982
Federal sources	298,603	-	-	201,710	500,313
TOTAL REVENUES	12,094,105	635,824	70,674	1,205,935	14,006,538
EXPENDITURES:					
Current:					
Instruction	7,541,561	-	-	-	7,541,561
Supporting services	4,311,850	-	-	71,217	4,383,067
Community services	25,929	-	-	-	25,929
Payments to other governments	-	-	-	-	-
Facilities acquisition	-	291,669	1,603,910	-	1,895,579
Debt service:					
Principal	58,455	-	-	390,000	448,455
Interest	6,840	-	-	151,609	158,449
Paying agent fees	-	-	-	571	571
School lunch activities	-	-	-	486,998	486,998
Athletic activities	-	-	-	286,724	286,724
TOTAL EXPENDITURES	11,944,635	291,669	1,603,910	1,387,119	15,227,333
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	149,470	344,155	(1,533,236)	(181,184)	(1,220,795)
OTHER FINANCING SOURCES (USES):					
Proceeds from notes	-	-	-	-	-
Proceeds from bonds	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-
Transfers in	-	-	-	159,121	159,121
Transfers out	(159,121)	-	-	-	(159,121)
TOTAL OTHER FINANCING SOURCES (USES)	(159,121)	-	-	159,121	-
NET CHANGE IN FUND BALANCES	(9,651)	344,155	(1,533,236)	(22,063)	(1,220,795)
Fund Balance, July 1	748,070	28,839	2,485,314	188,935	3,451,158
FUND BALANCE, JUNE 30	\$ 738,419	\$ 372,994	\$ 952,078	\$ 166,872	\$ 2,230,363

See Notes to Financial Statements.

Negaunee Public Schools
Governmental Funds
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures
and Changes in Fund Balance to the Statement of Activities
For the Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ (1,220,795)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(358,250)	
Capital outlays	1,823,792	1,465,542

Governmental funds do not report capital assets. Therefore, the net book value on the disposal of capital assets is only reported as an expense in the statement of activities.

-

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

-

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

448,455

Deferred discount on refunding bonds is reported as expenditures in the governmental funds when incurred. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.

(2,835)

Unamortized bond issue costs are reported as expenditures in the governmental funds when incurred. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as other costs in the statement of activities.

(8,530)

Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the Statement of Activities.

1,950

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

86,604

Change in Net Assets of Governmental Activities

\$ 770,391

See Notes to Financial Statements.

**Negaunee Public Schools
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2008**

	Student Activity Agency Fund
	<hr/>
ASSETS:	
Cash and equivalents	\$ 201,992
Due from other funds	-
	<hr/>
TOTAL ASSETS	\$ 201,992
	<hr/> <hr/>
LIABILITIES:	
Due to groups, organizations and activities	\$ 200,316
Accounts Payable	1,529
Due to other funds	147
	<hr/>
TOTAL LIABILITIES	\$ 201,992
	<hr/> <hr/>

See Notes to Financial Statements.

NEGAUNEE PUBLIC SCHOOLS
NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Negaunee Public Schools conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Negaunee Public Schools contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

BASIS OF PRESENTATION

District-Wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

Fund Financial Statements:

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the School District are described below:

Governmental Funds

General Fund – General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service and Athletics Funds.

Debt Retirement Funds – The Debt Retirement Funds are used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

Capital Projects Fund – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

Fiduciary Funds

Trust and Agency Fund – The Trust and Agency Fund is used to account for assets held by the School District in a trustee capacity or as an agent for individuals, organizations, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (a) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

Basis of Accounting

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

Investments

Investments are carried at market value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

Compensated Absences

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$47,350 in the General Fund and \$6,314 in the Athletic Fund for grant funding that has been received but is unearned.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Equity Classification

District-Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

Revenues

District-Wide Statements

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

Fund Statements

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

Property Taxes

Property taxes are levied on July 1, on behalf of the District by various taxing units and are payable without penalty by September 14. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Expenses/Expenditures

District-Wide Statements

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

Fund Statements

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – DEPOSITS AND INVESTMENTS:

Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets.

	Primary Government	Fiduciary Funds	Total
Cash and cash equivalents	\$1,589,866	\$201,992	\$1,791,858
Investments	18,406	-	18,406
TOTALS	<u>\$1,608,272</u>	<u>\$201,992</u>	<u>\$1,810,264</u>

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. The carrying amounts of the District's deposits with financial institutions were \$1,791,858 and the bank balance was \$2,436,273. The bank balance is categorized as follows:

Amount insured by the FDIC	\$200,000
Amount uncollateralized and uninsured	2,236,273
	<u>\$2,436,273</u>

Investments

As of June 30, 2008, the District had the following investments.

Investment Type	Fair Value	Investment Maturities Less than 1 Year
Michigan Liquid Asset Fund – Mutual Funds	<u>\$18,406</u>	<u>\$18,406</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The District's investments are in accordance with statutory authority.

NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governmental units consist of \$1,757,463 due from the State of Michigan for State Aid and \$247,205 due from other governmental units for the operation of special programs and grant projects.

NOTE D – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

The Agency reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

		Due From Other Funds			
Due To Other Funds		General Fund	School Lunch Fund	Agency Fund	Total Due To Other Funds
	General Fund	\$ -	\$ -	\$ -	\$ -
	School Lunch Fund	7,430	-	-	7,430
	Athletic Fund	13,175	-	-	13,175
	Agency Fund	147	-	-	147
	Total Due From Other Funds	\$ 20,752	\$ -	\$ -	\$ 20,752

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

Transfer Out To Other Funds				
Transfer In From Other Funds		General Fund	Construction Fund	Total Transfers In
	School Lunch Fund	\$ -	\$ -	\$ -
	Athletic Fund	159,121	-	159,121
	Debt Service Fund	-	-	-
	Total Transfers Out	\$ 159,121	\$ -	\$ 159,121

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE E – CAPITAL ASSETS:

Capital asset activity of the School District's governmental activities was as follows:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
Capital assets not being depreciated:				
Land	\$92,536	\$-	\$-	\$92,536
Construction in progress	550,271	126,232	550,271	126,232
Capital assets being depreciated:				
Land improvements	284,513	-	-	284,513
Buildings and additions	10,403,541	2,212,417	-	12,615,958
Equipment and furniture	2,066,855	35,414	578,420	1,523,849
School buses	875,118	-	-	875,118
Total Capital Assets	<u>14,272,834</u>	<u>2,374,063</u>	<u>1,128,691</u>	<u>15,518,206</u>
Less accumulated depreciation:				
Land improvements	202,570	12,219	-	214,789
Buildings and additions	5,422,669	208,246	-	5,630,915
Equipment and furniture	1,697,717	65,453	578,420	1,184,750
School buses	631,432	72,332	-	703,764
Total Accumulated Depreciation	<u>7,954,388</u>	<u>358,250</u>	<u>578,420</u>	<u>7,734,218</u>
CAPITAL ASSETS, NET	<u>\$6,318,446</u>	<u>\$2,015,813</u>	<u>\$550,271</u>	<u>\$7,783,988</u>

Depreciation expense charged to governmental activities was \$358,250.

NOTE F – ACCRUED EMPLOYEE BENEFITS:

The School District offers terminal leave benefits for teachers having ten years of service. This payment is based upon the teacher's base salary at retirement and the number of years of service beyond ten years.

There is also an unused sick leave incentive plan provided to teachers eligible to retire under the Michigan Teacher Retirement Act. This payment is based upon the accumulated sick days at a rate of \$20 for each day accumulated prior to September 1, 1981 and \$50 for each day accumulated after September 1, 1981. The sick leave liability has been calculated in accordance with GASB #16.

Accrued vacation represents vacation time that has been earned but not taken. This vacation time must be used by the union employees within three months after their next anniversary date, or it will be forfeited. For administrative/supervisory employees this vacation time is paid out at their next anniversary date.

As of June 30, 2008, accrued employee benefits reported in the Statement of Net Assets consist of the following:

Early Retirement	\$-
Terminal Leave	67,173
Sick Leave	871,450
Vacation	22,013
TOTAL	<u>\$960,636</u>

NOTE G – RESERVED FUND EQUITY:

The School District reserves fund equities for the following funds:

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities are reserved for these purposes.

Capital Projects Funds – The resources of the Capital Projects Funds have been accumulated for the specific purpose of acquiring fixed assets. The funds are reserved for these purposes.

NOTE H – LONG-TERM DEBT:

The following is a summary of the long-term debt activity for the year ending June 30, 2008:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Due in One year
Bonds Payable:					
1998 School Improvement Bonds	\$106,531	\$-	\$-	\$106,531	\$10,041
2002 Refunding Bonds	780,000	-	390,000	390,000	390,000
2006 General Obligation Bonds	3,145,000	-	-	3,145,000	-
2005 School Bus Notes Payable	48,061	-	23,607	24,454	24,454
2006 School Bus Notes Payable	69,786	-	23,262	46,524	23,262
2007 School Bus Notes Payable	49,901	-	11,586	38,315	12,160
Employee Benefits Payable	1,047,240	-	86,604	960,636	-
TOTAL	\$5,246,519	\$-	\$535,059	\$4,711,460	\$459,917

Long-term debt at June 30, 2008 consists of the following:

**School Improvement Bonds
Series 1998
June 30, 2008**

School Year	Interest	Principal	Total
2009	\$2,629	\$10,041	\$12,670
2010	2,151	10,518	12,669
2011	1,650	11,020	12,670
2012	22,265	62,859	85,124
2013	576	12,093	12,669
	<u>\$29,271</u>	<u>\$106,531</u>	<u>\$135,802</u>

The School Improvement Bonds, Series 1998 (\$180,419) dated November 24, 1998 mature annually on May 15, with interest at a rate of 4.75% per annum. The only revenue source for making the debt service payment on these School Improvement Bonds is an appropriation from the State of Michigan.

NOTE H – LONG-TERM DEBT (Continued):

**1997 General Obligation
Refunding Bonds, Series 2002
June 30, 2008**

School Year	November 1	May 1		Total
	Interest	Interest	Principal	
2008-2009	\$5,850	\$5,850	\$390,000	\$401,700
	<u>\$5,850</u>	<u>\$5,850</u>	<u>\$390,000</u>	<u>\$401,700</u>

Refunding Bonds originally issued for \$1,890,000 and dated November 13, 2002, mature annually on May 1, 2005 through May 1, 2009 and bear interest at a rate of 3% per annum. Interest is paid semi-annually on May 1 and November 1 each year beginning May 1, 2003.

**2006 General Obligation
School Building and Site Bonds
June 30, 2008**

School Year	November 1	May 1		Total
	Interest	Interest	Principal	
2009	\$64,105	\$64,105	\$-	\$128,210
2010	64,104	64,104	60,000	188,208
2011	62,905	62,905	70,000	195,810
2012	61,504	61,504	75,000	198,008
2013	60,004	60,004	75,000	195,008
2014-2018	273,023	273,023	515,000	1,061,046
2019-2023	214,722	214,722	700,000	1,129,444
2024-2028	132,302	132,302	995,000	1,259,604
2029-2033	27,561	27,561	655,000	710,122
	<u>\$960,230</u>	<u>\$960,230</u>	<u>\$3,145,000</u>	<u>\$5,065,460</u>

General Obligation School Building and Site Bonds originally issued for \$3,145,000 and dated November 30, 2006 mature annually as scheduled above on May 1, 2007 through May 1, 2031 and bear interest at a rate of 4.0% to 4.2% per annum. Interest is paid semi-annually on May 1 and November 1 each year.

**2005 School Bus Notes Payable
June 30, 2008**

School Year	Interest	Principal	Total
2009	\$878	\$24,454	\$25,332
	<u>\$878</u>	<u>\$24,454</u>	<u>\$25,332</u>

Notes payable originally issued for \$114,526 and dated August 10, 2004 mature annually as scheduled above on June 30, 2006 through June 30, 2009 bearing an interest rate of 3.59% per annum.

**2006 School Bus Notes Payable
June 30, 2008**

School Year	Interest	Principal	Total
2009	\$1,763	\$23,262	\$25,025
2010	882	23,262	24,144
	<u>\$2,645</u>	<u>\$46,524</u>	<u>\$49,169</u>

NOTE H – LONG-TERM DEBT (Continued):

Notes payable originally issued for \$116,310 and dated August 08, 2005 mature annually as scheduled above on May 1, 2006 through May 1, 2010 bearing an interest rate of 3.79% per annum.

**2007 School Bus Notes Payable
June 30, 2008**

School Year	Interest	Principal	Total
2009	\$1,897	\$12,160	\$14,057
2010	1,295	12,762	14,057
2011	663	13,393	14,056
	<u>\$3,855</u>	<u>\$38,315</u>	<u>\$42,170</u>

Notes payable originally issued for \$60,941 and dated July 26, 2006 mature annually as scheduled above on May 26, 2007 through May 26, 2011 bearing an interest rate of 4.95% per annum.

As of June 30, 2008 the aggregate maturities of long-term debt are as follows:

School Year	Principal	Interest	Total
2009	\$459,917	\$147,077	\$606,994
2010	106,542	132,536	239,078
2011	94,413	128,123	222,536
2012	137,859	145,273	283,132
2013	87,093	120,584	207,677
2014-2018	515,000	546,046	1,061,046
2019-2023	700,000	429,444	1,129,444
2024-2028	995,000	264,604	1,259,604
2029-2033	655,000	55,122	710,122
	<u>3,750,824</u>	<u>1,968,809</u>	<u>5,719,633</u>
Employee Benefits Payable	960,636	-	960,636
TOTALS	<u>\$4,711,460</u>	<u>\$1,968,809</u>	<u>\$6,680,269</u>

NOTE I – SHORT TERM DEBT:

The District utilizes short-term borrowing secured with pledged state aid for cash flow purposes due to the timing of state aid payments. A summary of changes in short-term debt for the year ended June 30, 2008 is as follows:

	Balance June 30, 2007	Additions	Retirements	Balance June 30, 2008
State Anticipation Note	<u>\$1,200,000</u>	<u>\$1,160,000</u>	<u>\$1,200,000</u>	<u>\$1,160,000</u>

NOTE J – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE:

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenue from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008, the foundation allowance was based on a blended count consisting of 25% of the February 2007 pupil count and 75% of the September 2007 pupil count.

**NOTE J – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE
(Continued):**

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2007 – August 2008.

NOTE K – EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN:

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPERS also provides death, disability, health, medical, dental, vision, and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 17.74% of covered compensation to the Plan through September 30, 2007 and 16.72% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2008 was \$1,412,051 which consisted of \$1,190,563 from the District and \$221,488 from employees electing the MIP option. These represent approximately 17% and 3% of covered payroll, respectively. The District's contribution to MPERS for 2007 was \$1,262,486 and \$1,368,883 for 2006.

Payroll paid to employees covered by the System for the year ended June 30, 2008 was approximately \$7,060,039. The District's total payroll was approximately \$7,203,948.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPERS at MPERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

NOTE L – CONTINGENT LIABILITIES:

Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

NOTE M – ECONOMIC DEPENDENCY:

The School District receives approximately 73 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of Negaunee Public Schools.

NOTE N – CAPITAL PROJECT FUNDS:

The Capital Project Fund records capital project activities funded with Sinking Fund millage and the proceeds from bond issuance in the Construction Fund. For this fund, the School District has complied with the applicable provisions of §1212 (1) of the Revised School Code and the applicable section of the Revised Bulletin for School District Audits of Bonded Construction Funds and of Sinking Funds in Michigan.

NOTE O – PROPERTY TAXES:

The taxable value of real and personal property located in the School District at December 31, 2007 totaled \$179,359,509 (\$111,063,082 designated as Homestead and \$68,296,427 designated as Non-Homestead). The total tax levied consists of 18.0000 mills for the General Fund, 1.9500 for debt retirement, and 2.1684 for the Building and Site Fund.

NOTE P – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2008 as follows:

	<u>Governmental Activities</u>
Accrued wages	\$23,871
MESSA payable	108,640
Accrued fringes	30,710
	<u>\$163,221</u>

NOTE Q – NONMONETARY TRANSACTIONS:

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$36,331 during fiscal year 2007-08 in revenues and expenditures for USDA commodities.

NOTE R – CONSTRUCTION IN PROGRESS:

A Sinking Millage was passed in 2003 to be used for a variety of Capital Improvement Projects.

The windows in the Administration Building were replaced using these tax revenues. Contracts for this project total \$154,787; \$64,013 was completed as of June 30, 2008.

The track at the football field was also resurfaced using these tax revenues. Contracts for this project total \$248,418; \$4,969 was completed as of June 30, 2008

The proceeds from 2006 School Building and Site Bonds, Series I were used to add classrooms at Lakeview School (Phase 1) and begin the work to add a gymnasium at the Middle School and renovate the auditorium at the High School (Phase 2). Phase 1 has been completed. Initial design work has begun on Phase 2. As of June 30, 2008, \$57,250 was completed. It is anticipated that bids for these projects will be completed in the first quarter of 2009. The projects will also be funded by the sale of 2008 School Building and Site Bonds, Series II.

REQUIRED SUPPLEMENTAL
INFORMATION

**Negaunee Public Schools
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2008**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 1,919,077	\$ 2,039,540	\$ 2,095,816	\$ 120,463	\$ 56,276
State sources	9,503,376	9,693,073	9,699,686	189,697	6,613
Federal sources	293,083	318,375	298,603	25,292	(19,772)
TOTAL REVENUES	11,715,536	12,050,988	12,094,105	335,452	43,117
EXPENDITURES:					
Instruction:					
Basic programs	5,452,666	5,635,431	5,592,271	(182,765)	43,160
Added needs	1,850,566	1,929,288	1,949,290	(78,722)	(20,002)
Total Instruction	7,303,232	7,564,719	7,541,561	(261,487)	23,158
Supporting Services:					
Pupil services	584,854	642,779	649,350	(57,925)	(6,571)
Instructional staff	527,874	625,658	588,634	(97,784)	37,024
General administration	291,110	310,686	292,243	(19,576)	18,443
School administration	657,780	656,554	662,442	1,226	(5,888)
Business services	278,725	284,085	264,486	(5,360)	19,599
Operations and maintenance	1,054,227	1,149,748	1,140,072	(95,521)	9,676
Pupil transportation	646,318	680,694	688,256	(34,376)	(7,562)
Central support	43,706	33,843	26,367	9,863	7,476
Total Supporting Services	4,084,594	4,384,047	4,311,850	(299,453)	72,197
Community Services:					
Community activities	18,659	28,758	25,929	(10,099)	2,829
Total Community Services	18,659	28,758	25,929	(10,099)	2,829
Payments to Other Governments					
Payment to other schools	97,965	-	-	97,965	-
Total Payments to Other Governments	97,965	-	-	97,965	-
Debt Service:					
Principal	58,455	58,455	58,455	-	-
Interest	6,840	6,884	6,840	(44)	44
Total Debt Service	65,295	65,339	65,295	(44)	44
Facilities Acquisition:					
Capital Outlay	-	-	-	-	-
Total Facilities Acquisition	-	-	-	-	-
TOTAL EXPENDITURES	11,569,745	12,042,863	11,944,635	(473,118)	98,228
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	145,791	8,125	149,470	(137,666)	141,345
OTHER FINANCING SOURCES (Uses)					
Proceeds from notes	-	-	-	-	-
Sale of fixed assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	(145,674)	(179,479)	(159,121)	(33,805)	20,358
TOTAL OTHER FINANCING SOURCES (USES)	(145,674)	(179,479)	(159,121)	(33,805)	20,358
NET CHANGE IN FUND BALANCE	117	(171,354)	(9,651)	(171,471)	161,703
Fund Balance, July 1	748,070	748,070	748,070	-	-
FUND BALANCE, JUNE 30	\$ 748,187	\$ 576,716	\$ 738,419	\$ (171,471)	\$ 161,703

OTHER SUPPLEMENTAL
INFORMATION

**Negaunee Public Schools
Non-major Governmental Funds
Combining Balance Sheet
June 30, 2008**

	Special Revenue Funds	Debt Service Funds	Total
ASSETS:			
Cash and equivalents	\$ 2,245	\$ 135,174	\$ 137,419
Investments	-	9,059	9,059
Accounts receivable	12,869	-	12,869
Due from other governmental units	9,909	-	9,909
Due from other funds	-	-	-
Inventories	25,519	-	25,519
Prepaid expenses	250	-	250
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 50,792	\$ 144,233	\$ 195,025
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 1,234	\$ -	\$ 1,234
Accrued liabilities	-	-	-
Due to other funds	20,605	-	20,605
Deferred Revenue	6,314	-	6,314
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	28,153	-	28,153
	<hr/>	<hr/>	<hr/>
FUND BALANCES:			
Reserved for:			
Debt service	-	144,233	144,233
Capital outlay	-	-	-
School lunch	22,639	-	22,639
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	22,639	144,233	166,872
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 50,792	\$ 144,233	\$ 195,025
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Negaunee Public Schools
Non-major Governmental Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

	Special Revenue Funds	Debt Service Funds	Total
REVENUES:			
Local sources:			
Taxes and penalties	\$ -	\$ 487,901	\$ 487,901
School lunch activities	283,840	-	283,840
Athletic activities	198,611	-	198,611
Interest income	-	9,577	9,577
State sources	24,296	-	24,296
Federal sources	201,710	-	201,710
Other sources	-	-	-
TOTAL REVENUES	708,457	497,478	1,205,935
EXPENDITURES:			
Supporting services	71,217	-	71,217
Debt service	-	542,180	542,180
Facilities acquisition	-	-	-
School lunch activities	486,998	-	486,998
Athletic activities	286,724	-	286,724
TOTAL EXPENDITURES	844,939	542,180	1,387,119
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(136,482)	(44,702)	(181,184)
OTHER FINANCING SOURCES (USES):			
Transfers in	159,121	-	159,121
Transfers (out)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	159,121	-	159,121
NET CHANGE IN FUND BALANCE	22,639	(44,702)	(22,063)
Fund Balance, July 1	-	188,935	188,935
FUND BALANCE, JUNE 30	\$ 22,639	\$ 144,233	\$ 166,872

Negaunee Public Schools
Non-major Special Revenue Funds
Combining Balance Sheet
June 30, 2008

	School Lunch Fund	Athletic Fund	Total
ASSETS:			
Cash and equivalents	\$ -	\$ 2,245	\$ 2,245
Accounts receivable	-	12,869	12,869
Due from other governmental units	4,550	5,359	9,909
Due from other funds	-	-	-
Inventories	25,519	-	25,519
Prepaid expenses	-	250	250
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 30,069	\$ 20,723	\$ 50,792
	<hr/>	<hr/>	<hr/>
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ -	\$ 1,234	\$ 1,234
Accrued liabilities	-	-	-
Due to other funds	7,430	13,175	20,605
Deferred revenue	-	6,314	6,314
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	7,430	20,723	28,153
	<hr/>	<hr/>	<hr/>
FUND BALANCES:			
Reserved	22,639	-	22,639
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	\$ 30,069	\$ 20,723	\$ 50,792
	<hr/>	<hr/>	<hr/>

Negaunee Public Schools
Non-major Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2008

	School Lunch Fund	Athletic Fund	Total
REVENUES:			
School lunch activities	\$ 283,840	\$ -	\$ 283,840
Athletic activities	-	198,611	198,611
State sources	24,296	-	24,296
Federal sources	201,710	-	201,710
TOTAL REVENUES	509,846	198,611	708,457
EXPENDITURES:			
Support services	209	71,008	71,217
School lunch activities	486,998	-	486,998
Athletic activities	-	286,724	286,724
TOTAL EXPENDITURES	487,207	357,732	844,939
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22,639	(159,121)	(136,482)
OTHER FINANCING SOURCES (USES):			
Transfers in	-	159,121	159,121
Transfers (out)	-	-	-
NET CHANGE IN FUND BALANCE	22,639	-	22,639
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	\$ 22,639	\$ -	\$ 22,639

**Negaunee Public Schools
Non-Major Special Revenue Fund
School Lunch Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008**

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:			
Local sources:			
Student lunches	\$ 241,265	\$ 238,609	\$ (2,656)
Student breakfast	10,400	5,237	(5,163)
Adult lunches	8,500	8,586	86
Ala carte sales	22,000	28,278	6,278
Milk	1,975	2,107	132
Other food receipts	104	1,023	919
Total Local Sources	284,244	283,840	(404)
State sources:			
State aid - restricted	25,016	24,296	(720)
Total State Sources	25,016	24,296	(720)
Federal sources:			
Entitlement payments	160,000	165,379	5,379
Donated commodities	11,000	36,331	25,331
Total Federal Sources	171,000	201,710	30,710
TOTAL REVENUES	480,260	509,846	29,586
EXPENDITURES:			
Support Services	670	209	461
School lunch activities:			
Salaries	144,459	150,751	(6,292)
Employee benefits	64,962	66,273	(1,311)
Purchased services	1,353	616	737
Other costs	27,461	21,426	6,035
Food and milk	238,000	211,601	26,399
Donated commodities	11,000	36,331	(25,331)
TOTAL EXPENDITURES	487,905	487,207	698
EXCESS REVENUES (EXPENDITURES)	(7,645)	22,639	30,284
OTHER FINANCING (USES):			
Transfers in	7,645	-	(7,645)
NET CHANGE IN FUND BALANCE	-	22,639	22,639
Fund Balance, July 1	-	-	-
FUND BALANCE, JUNE 30	\$ -	\$ 22,639	\$ 22,639

Negaunee Public Schools
Non-Major Special Revenue Fund
Athletics Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the Year Ended June 30, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Local sources:			
General admission	\$ 91,504	\$ 88,130	\$ (3,374)
Participation fees	42,780	42,720	(60)
Other revenues	<u>59,159</u>	<u>67,761</u>	<u>8,602</u>
TOTAL REVENUES	<u>193,443</u>	<u>198,611</u>	<u>5,168</u>
EXPENDITURES:			
Support Services:			
Operations & Maintenance	\$ 33,104	\$ 31,822	1,282
Transportation	37,305	39,186	(1,881)
Athletic activities:			-
Salaries	99,308	99,306	2
Employee benefits	29,035	29,094	(59)
Purchased services	88,524	81,136	7,388
Supplies and materials	38,089	36,920	1,169
Other	<u>39,912</u>	<u>40,268</u>	<u>(356)</u>
TOTAL EXPENDITURES	<u>365,277</u>	<u>357,732</u>	<u>7,545</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(171,834)	(159,121)	12,713
OTHER FINANCING SOURCES (USES):			
Transfers in	<u>171,834</u>	<u>159,121</u>	<u>(12,713)</u>
NET CHANGE IN FUND BALANCE	-	-	-
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, JUNE 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Negaunee Public Schools
Non-major Debt Service Fund
Balance Sheet
June 30, 2008**

ASSETS:

Cash and equivalents	\$ 135,174
Investments	9,059
Due from other governmental units	<u>-</u>
TOTAL ASSETS	<u><u>\$ 144,233</u></u>

LIABILITIES AND FUND BALANCES:

LIABILITIES:

Accounts payable	<u>\$ -</u>
TOTAL LIABILITIES	<u>-</u>

FUND BALANCES:

Reserved	<u>144,233</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 144,233</u></u>

**Negaunee Public Schools
Non-major Capital Projects - Sinking Fund
Balance Sheet
June 30, 2008**

ASSETS:

Cash and equivalents	\$ 28,728
Due from other governmental units	<u>111</u>

TOTAL ASSETS	<u><u>\$ 28,839</u></u>
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LIABILITIES AND FUND BALANCES:

LIABILITIES:

Accounts payable	<u>\$ -</u>
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TOTAL LIABILITIES	<u>-</u>
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FUND BALANCES:

Reserved	<u>28,839</u>
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TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 28,839</u></u>
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Compliance Section



ANDERSON, TACKMAN & COMPANY, P.L.C.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Education
Negaunee Public Schools
Negaunee, Michigan 49866

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Negaunee Public Schools as of and for the year ended June 30, 2008, which collectively comprise Negaunee Public Schools' basic financial statements and have issued our report thereon dated October 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Negaunee Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Negaunee Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Negaunee Public Schools' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Negaunee Public Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Negaunee Public Schools' financial statements that is more than inconsequential will not be prevented or detected by Negaunee Public Schools' internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, see 08-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Negaunee Public Schools' internal control.

Board of Education
Negaunee Public Schools
Negaunee, Michigan 49866

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Negaunee Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 08-02.

This report is intended solely for the information and use of management of Negaunee Public Schools, the Board of Education, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 23, 2008



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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IRON MOUNTAIN
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MARQUETTE

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GREEN BAY
MILWAUKEE

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Negaunee Public Schools
Negaunee, Michigan 49866

Compliance

We have audited the compliance of Negaunee Public Schools with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Negaunee Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Negaunee Public Schools' management. Our responsibility is to express an opinion on Negaunee Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Negaunee Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Negaunee Public Schools' compliance with those requirements.

In our opinion, Negaunee Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Negaunee Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Negaunee Public Schools' internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Negaunee Public Schools' internal control over compliance.

Board of Education
Negaunee Public Schools
Negaunee, Michigan 49866

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 23, 2008

NEGAUNEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/07	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue 6/30/08
U.S. Department of Agriculture:							
Nutrition Cluster:							
Food Distribution:							
Entitlement Commodities	10.550	\$ 36,331	\$ 10,122	\$ -	\$ 36,331	\$ 36,331	\$ -
Bonus Commodities	10.550	-	174	-	-	-	-
Sub-total Commodities		<u>36,331</u>	<u>10,296</u>	<u>-</u>	<u>36,331</u>	<u>36,331</u>	<u>-</u>
Passed Through M.D.E.:							
Natl. School Breakfast Program	10.553	24,738	21,675	3,971	20,767	24,738	-
National School Lunch Program:							
Section 4 - Total Serving 1956 & 1957	10.555	45,002	40,130	6,240	38,762	45,002	-
Section 11- Total Serving 1966 & 1967	10.555	123,071	109,166	17,663	105,408	123,071	-
Snacks	10.555	540	407	97	443	540	-
Sub-total National School Lunch		<u>168,613</u>	<u>149,703</u>	<u>24,000</u>	<u>144,613</u>	<u>168,613</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>229,682</u>	<u>181,674</u>	<u>27,971</u>	<u>201,711</u>	<u>229,682</u>	<u>-</u>
National Endowment for the Arts:							
Passed through Michigan council for Arts and Cultural Affairs:							
Arts Services Grant Agreement							
N/A	45.025	4,000	2,600	-	4,000	4,000	-
TOTAL NATIONAL ENDOWMENT FOR THE ARTS		<u>4,000</u>	<u>2,600</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
U.S. Department of Education:							
Direct Awards:							
Title VII, Indian Education S060A051215	84.060	25,109	25,109	3,912	-	3,912	-
Title VII, Indian Education S060A061215	84.060	22,795	-	-	22,795	21,779	1,016
Sub-total Direct Awards		<u>47,904</u>	<u>25,109</u>	<u>3,912</u>	<u>22,795</u>	<u>25,691</u>	<u>1,016</u>
Passed through Michigan Department of Education (M.D.E.):							
E.C.I.A. Title I:							
061530-0607	84.010	16,038	16,038	4	-	4	-
071530-0607	84.010	167,042	167,042	50,364	-	50,364	-
081530-0708	84.010	139,254	-	-	139,254	125,621	13,633
Sub-total E.C.I.A. Title I		<u>322,334</u>	<u>183,080</u>	<u>50,368</u>	<u>139,254</u>	<u>175,989</u>	<u>13,633</u>
Title V LEA Allocation							
080250-0708	84.298	613	-	-	387	387	-
Sub-total Title V LEA Allocation		<u>\$ 613</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 387</u>	<u>\$ 387</u>	<u>\$ -</u>

NEGAUNEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/07	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue 6/30/08
Technology Literacy Challenge Grants:							
074290-0607	84.318	\$ 1,715	\$ 1,072	\$ -	\$ 643	\$ 643	\$ -
084290-0708	84.318	1,309	-	-	-	-	-
Sub-total Technology Literacy Challenge Grants		<u>3,024</u>	<u>1,072</u>	<u>-</u>	<u>643</u>	<u>643</u>	<u>-</u>
Title IIA, Improving Teacher Quality							
060520-0607	84.367	22,721	22,721	3	-	3	-
070520-0607	84.367	74,765	43,225	22,009	31,540	53,549	-
080520-0708	84.367	75,068	-	-	50,089	31,613	18,476
Sub-total Title IIA, Improving Teacher Quality		<u>172,554</u>	<u>65,946</u>	<u>22,012</u>	<u>81,629</u>	<u>85,165</u>	<u>18,476</u>
TOTAL PASSED THROUGH M.D.E.		<u>498,525</u>	<u>250,098</u>	<u>72,380</u>	<u>221,913</u>	<u>262,184</u>	<u>32,109</u>
Passed Through Marquette-Alger Regional Education Service Agency (MARESA):							
P.L. 94-142 Flow Through:							
070450-0607	84.027	64,616	62,137	17,182	-	17,182	-
080450/0708	84.027	33,488	-	-	33,488	21,094	12,394
Sub-total Flow Through		<u>98,104</u>	<u>62,137</u>	<u>17,182</u>	<u>33,488</u>	<u>38,276</u>	<u>12,394</u>
Carl D. Perkins Vocational and Applied Technologies Education Act:							
073520/7012-2	84.048	12,038	11,658	11,658	-	11,658	-
083520/8012-2	84.048	12,474	-	-	12,474	1,844	10,630
Sub-total Carl D. Perkins		<u>24,512</u>	<u>11,658</u>	<u>11,658</u>	<u>12,474</u>	<u>13,502</u>	<u>10,630</u>
Safe & Drug Free Schools & Communities:							
082860/0708	84.186	2,270	-	-	2,270	-	2,270
Sub-total Safe & Drug Free Schools & Communities		<u>2,270</u>	<u>-</u>	<u>-</u>	<u>2,270</u>	<u>-</u>	<u>2,270</u>
Title II-D Ed Tech							
074240/2-1	84.318	224	74	-	224	224	-
Sub-total Title II-D Ed Tech		<u>\$ 224</u>	<u>\$ 74</u>	<u>\$ -</u>	<u>\$ 224</u>	<u>\$ 224</u>	<u>\$ -</u>
Learn & Serve 07-08							
MCSC/SBLS/F-151/08	94.004	347	-	-	347	347	-
Sub-total Title II-D Ed Tech		<u>\$ 347</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 347</u>	<u>\$ 347</u>	<u>\$ -</u>

NEGAUNEE PUBLIC SCHOOLS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2008

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue 7/1/07	Current Year Expenditures	Current Year Receipts	Accrued (Deferred) Revenue 6/30/08
Medicaid FFS-Transportation							
N/A	93.778	\$ 1,090	\$ -	\$ -	\$ 1,090	\$ 1,090	\$ -
Sub-total Medicaid FFS - Transportation		<u>1,090</u>	<u>-</u>	<u>-</u>	<u>1,090</u>	<u>1,090</u>	<u>-</u>
TOTAL PASSED THROUGH MARESA		<u>126,200</u>	<u>73,869</u>	<u>28,840</u>	<u>49,893</u>	<u>53,092</u>	<u>25,294</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>672,629</u>	<u>349,076</u>	<u>105,132</u>	<u>294,601</u>	<u>340,967</u>	<u>58,419</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 906,311</u>	<u>\$ 533,350</u>	<u>\$ 133,103</u>	<u>\$ 500,312</u>	<u>\$ 574,649</u>	<u>\$ 58,419</u>

NEGAUNEE PUBLIC SCHOOLS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2008

NOTE A – OVERSIGHT AGENCY:

The U.S. Department of Education is the current years oversight agency for the single audit as determined by the agency providing the largest share of the District's federal awards.

NOTE B – BASIS OF ACCOUNTING:

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE C – FINAL COST REPORT - FORM DS4044:

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

NOTE D – SCHEDULE OF FEDERAL AWARDS:

The amounts reported as current payments on the Grant Auditor Report, reconcile with the Schedule of Federal Awards as follows:

Current Payments per Grant Auditor Report		\$ 222,405
Less Payments Grant Auditor Report included in prior years:		
Title V Part A	892	
Title II Part D	5,490	(6,382)
	<hr/>	
Add payments not on Grant Auditor Report:		
Food distribution commodities	36,331	
National School Breakfast Program	20,767	
National School Lunch Program	144,613	
Art Services Grant	4,000	
Direct Program	22,795	
Passed through MARESA	49,893	278,399
	<hr/>	
Less Payments on Grant Auditor Report:		
Recorded as receivable at June 30, 2007:		
Title I	50,368	
Title II A, Improving Teacher Quality	22,012	(72,380)
	<hr/>	
Add Payments not on Grant Auditor Report:		
Recorded as receivable at June 30, 2008:		
Title I	13,633	
Title II A, Improving Teacher Quality	18,476	32,109
	<hr/>	

NOTE D – SCHEDULE OF FEDERAL AWARDS (Continued):

Plus Payments on Grant Auditor Report:

Recorded by District as receivable at June 30, 2007:

Title I	36,263	
Title II A, Improving Teacher Quality	<u>9,899</u>	46,162

Rounding		(1)
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TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS		<u>\$ 500,312</u>
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A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue recognized is as follows:

GENERAL FUND:

Total Federal Revenue Sources Reported in the Financial Statements		\$298,603
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SCHOOL SERVICE SPECIAL REVENUE FUND:

Total Federal Revenue Sources Reported in the Financial Statements		201,710
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ADJUSTMENTS:

Due to rounding		<u>(1)</u>
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TOTAL FEDERAL AWARD EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS		<u>\$500,312</u>
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NEGAUNEE PUBLIC SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of Negaunee Public Schools.
2. Significant deficiencies relating to the audit of the financial statements are reported in this schedule. See section B.
3. Instances of noncompliance material to the financial statements of the Negaunee Public Schools are reported in this schedule.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in this schedule.
5. The auditors' report on compliance for the major federal award programs for Negaunee Public Schools expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for Negaunee Public Schools were disclosed during the audit.
7. The programs tested as major programs were:

Child Nutrition Cluster	CFDA
School Breakfast Program	10.553
National School Lunch Program	10.555

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Negaunee Public Schools was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

08-01 Segregation of Duties

Condition/Criteria: Internal controls rely on the principle of checks and balances and an individual should not have responsibility for more than one of the three transaction components: authorization, custody, and recordkeeping. Our testing discovered several areas where internal controls can be strengthened through further segregation of duties:

1. The Athletic Director maintains responsibility for two of the three transaction components, authorization and custody, in the Athletic Fund.
2. There is no management oversight of the payroll function being performed.
3. Bank statements are opened by the individual performing the monthly bank reconciliations

Effect: The lack of segregation of duties increases the chance that misstatements, whether caused by error or fraud, could occur and not be prevented or detected on a timely basis by employees in the course of performing their assigned duties.

Cause of Condition: The size of the organization's accounting staff, at times, precludes certain internal design controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Recommendation: We recommend the following:

1. The Business Manager take custody of the Athletic Fund check book to further segregate the transaction components of authorization and custody currently possessed by the Athletic Director.
2. The Business Manager should review payroll reports before the payroll process is finalized.
3. All bank statements should be received and opened by the Superintendent for review prior to forwarding to the Business Manager to perform the monthly bank reconciliations.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Mary Kay Johnson, Business Manager
- Corrective Action Planned:
 - The Business Manager has subsequently taken control over the Athletic Fund check book.
 - The Business Manager will review payroll reports before the payroll process is finalized.
 - All bank statements will be received and opened by the Superintendent for review prior to forwarding to the Business Manager to perform the monthly bank reconciliations.
- Anticipated Completion Date:
 - June 30, 2009

The following instance of noncompliance was noted:

08-02 – Referee Pay

Condition/Criteria: We noted during our testing that referees participating in school district events are being paid as independent contractors, however there does not exist a reliable record-keeping system to accurately report all income required by the Internal Revenue Service for all third-party payments.

Effect: The tax law requires third-party payers, such as a school district, to report to the Internal Revenue Service payments made to service providers. This includes fees paid to non-employees, including travel reimbursements for which the persons did not account to the payer, if the fee and reimbursement total at least \$600. By not maintaining a reliable record-keeping system for accurately reporting applicable payments to referees, the school district is not in compliance with tax law.

Cause of Condition: Referees are often paid at the time of event and records citing who was paid for what event and when it occurred are not consistently forwarded to the Business Office for recording.

Recommendation: We recommend instilling a reliable record-keeping system for accurately reporting applicable payments to referees to the Internal Revenue Service.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Mary Kay Johnson, Business Manager
- Corrective Action Planned:
 - The Business Manager will instill a reliable record-keeping system for accurately reporting applicable payments to referees to the Internal Revenue Service.
- Anticipated Completion Date:
 - June 30, 2009

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAMS AUDITS

➤ **NONE**

NEGAUNEE PUBLIC SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year June 30, 2008

There were no findings and questioned costs for major federal awards in the prior year.



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN
ESCANABA
IRON MOUNTAIN
KINROSS
MARQUETTE

WISCONSIN
GREEN BAY
MILWAUKEE

Negaunee Public Schools
Report to Management Letter
For the Year Ended June 30, 2008

Board of Education
Negaunee Public Schools
Negaunee, MI 49866

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Negaunee Public Schools for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Negaunee Public Schools' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

08-01 Segregation of Duties

Condition/Criteria: Internal controls rely on the principle of checks and balances and an individual should not have responsibility for more than one of the three transaction components: authorization, custody, and recordkeeping. Our testing discovered several areas where internal controls can be strengthened through further segregation of duties:

1. The Athletic Director maintains responsibility for two of the three transaction components, authorization and custody, in the Athletic Fund.
2. There is no management oversight of the payroll function being performed.
3. Bank statements are opened by the individual performing the monthly bank reconciliations.

Effect: The lack of segregation of duties increases the chance that misstatements, whether caused by error or fraud, could occur and not be prevented or detected on a timely basis by employees in the course of performing their assigned duties.

Cause of Condition: The size of the organization's accounting staff, at times, precludes certain internal design controls that would be preferred if the office staff were large enough to provide optimum segregation of duties.

Recommendation: We recommend the following:

1. The Business Manager take custody of the Athletic Fund check book to further segregate the transaction components of authorization and custody currently possessed by the Athletic Director.
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- Anticipated Completion Date:
 - June 30, 2009

INSTANCES OF NON-COMPLIANCE

08-02 – Referee Pay

Condition/Criteria: We noted during our testing that referees participating in school district events are being paid as independent contractors, however there does not exist a reliable record-keeping system to accurately report all income required by the Internal Revenue Service for all third-party payments.

Effect: The tax law requires third-party payers, such as a school district, to report to the Internal Revenue Service payments made to service providers. This includes fees paid to non-employees, including travel reimbursements for which the persons did not account to the payer, if the fee and reimbursement total at least \$600. By not maintaining a reliable record-keeping system for accurately reporting applicable payments to referees, the school district is not in compliance with tax law.

Cause of Condition: Referees are often paid at the time of event and records citing who was paid for what event and when it occurred are not consistently forwarded to the Business Office for recording.

Recommendation: We recommend instilling a reliable record-keeping system for accurately reporting applicable payments to referees to the Internal Revenue Service.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Mary Kay Johnson, Business Manager
- Corrective Action Planned:
 - The Business Manager will instill a reliable record-keeping system for accurately reporting applicable payments to referees to the Internal Revenue Service.
- Anticipated Completion Date:
 - June 30, 2009

This communication is intended solely for the information and use of management, the Board of Education, and others within the organization, and other legislative or regulatory bodies, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

October 23, 2008